

Message Text

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PAGE 01 STATE 063999

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S/S-O: M. TANNER
AID/PPC-PBIRNBAUM

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E.O. 11652:GDS

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SUBJECT: AGRICULTURAL DEVELOPMENT FUND AND IBRD
THIRD WINDOW
ENDERS FROM KATZ

1. AFTER CONSIDERATION HERE BETWEEN EB AND AID WE BELIEVE
THE MOST PROMISING APPROACH TO THE AGRICULTURAL DEVELOP-
MENT FUND WOULD BE TO MELD THIS CONCEPT WITH MCNAMARA'S
PROPOSED THIRD WINDOW. TO INITIATE THIS PROCESS WE NOW NEED
TO TAKE TWO STEPS -- (1) SUPPORT ESTABLISHMENT OF THE
THIRD WINDOW IN THE IBRD BOARD, AND (2) PROPOSE THAT ITS
MISSION BE TO ASSIST AGRICULTURAL DEVELOPMENT IN THE
BANK'S LOWER INCOME CLIENTS. SINCE MCNAMARA IS PROPOSING
ESTABLISHMENT OF THE THIRD WINDOW FOR AN INTIAL ONE-YEAR
TRIAL, WITH FUZZY INSTITUTIONAL ARRANGEMENTS, WE WOULD
NOT NOW NEED TO GO FURTHER ON DEFINING THE THIRD WINDOW'S
RELATIONSHIP TO WORLD FOOD CONFERENCE OBJECTIVES, A
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PAGE 02 STATE 063999

POLICY ROLE FOR THE AGRICULTURAL CONSULTATIVE GROUP (CGFPI),

VOTING STRUCTURE AND BURDEN SHARING, ETC. THUS, THE FIELD WOULD REMAIN OPEN FOR THE SECRETARY TO DEVELOP ALL THESE ASPECTS AND POSSIBLY COMMENT ON THE SUBJECT OF A US CONTRIBUTION IN HIS FOOD SPEECH.

2. THE MAIN ADVANTAGE OF THIS APPROACH IS THAT IT CAN BE IMPLEMENTED, GIVEN TREASURY SUPPORT. A NEW SEPARATE FUND, ON THE OTHER HAND, WILL BE VERY DIFFICULT TO PUT TOGETHER. OTHER ADVANTAGES OF MELDING THE THIRD WINDOW AND THE AGRICULTURAL FUND ARE: (1) IBRD MANAGEMENT, (2) UNLIMITED OPEC FINANCING AVAILABLE THROUGH IBRD BORROWING, (3) SOME OIL PRODUCERS (KUWAITSAUDI ARABIA, QATAR AND UAE) ALREADY COMMITTED TO FINANCE PART OF INTEREST SUBSIDY AND (4) CLIENTELE ALREADY LIMITED TO LOW AND MIDDLE INCOME LDCS.

3. THE MAIN DISADVANTAGES OF USING THE THIRD WINDOW VEHICLE SEEM TO BE:

(1) TENUOUS RELATIONSHIP TO WFC FOLLOW-UP AND EXPOSURE TO CHARGE OF FOSTERING A DONOR-DOMINATED MECHANISM TO UNDERCUT THE PROPOSED INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT FOR WHICH JOHN HANNAH, UNDER LDC PRODDING, HAS ANNOUNCED A CONSULTATION IN GENEVA MAY 5; AND (2) CREDIT RISK BEING BORNE BY IBRD STOCKHOLDERS, RATHER THAN OPEC CONTRIBUTIONS.

4. WHILE GIVING THE THIRD WINDOW AN AGRICULTURAL DEVELOPMENT MISSION LEAVES US AMPLE ROOM TO EXPAND THIS CONCEPT, IT DOES PRETTY MUCH PRECLUDE THE POSSIBILITY OF PURSUING A SEPARATE FUND OUTSIDE THE IBRD STRUCTURE. WE HAVE TO CROSS THIS BRIDGE NOW SINCE THE NAC WILL TAKE UP THE US THIRD WINDOW POSITION PM FRIDAY MARCH 21 AND IBRD BOARD WILL TAKE THIS UP ON TUESDAY MARCH 25. WE HAVE SOUNDED OUT MCNAMARA ON GIVING THE THIRD WINDOW AN AGRICULTURAL FOCUS, AND HE CONCURS--ALTHOUGH HE IS RELUCTANT TO MAKE THIS AN EXCLUSIVE LENDING CRITERION. WE CAN PROBABLY PUT THIS ACROSS EVEN WITHOUT TALKING OF A US CONTRIBUTION AT THIS TIME. IF WE DID SUBSEQUENTLY DECIDE ON SOME US CONTRIBUTION IT WOULD HAVE TO COME OUT OF FOREIGN ASSISTANCE ACT

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PAGE 03 STATE 063999

FUNDS. TREASURY MAY RESIST EVEN ACQUIESCING IN THIRD WINDOW, ON GROUNDS THAT OIL MONEY SHOULD GO INTO IDA.

5. OBVIOUSLY, IF WE MADE A US CONTRIBUTION THROUGH THE FAA TO THE THIRD WINDOW, WE WOULD NOT CONTRIBUTE TO THE IMF'S SUBSIDIZED WITTEVEN FACILITY--TAKING THE POSITION IN THE IMF THAT THE GOLDSALE TACK SHOULD BE PURSUED AS THE WAY OF FINANCING THE INDUSTRIAL COUNTRIES' PORTION OF

THE COST. WE WOULD ALSO PURSUE THE IDEA OF A TRUST FUND
IN THE IMF FOR 1976 (WHEN THE OIL FACILITY LAPSES)HOPE-
FULLY BASED ON A BLEND OF THE SHAH'S PROPOSAL AND THE
ORIGINAL KISSINGER/SIMON PROPOSAL..

6. UNLESS YOU HAVE OTHER THOUGHTS, WE PROPOSE TO: (1) AGREE
TO ESTABLISHMENT OF THIRD WINDOW ON ONE YEAR TRIAL BASIS
WITH NO COMMITMENT OF US FUNDING, (2) WORK TO DEFINE ITS
MISSION AS PREDOMINATELY AGRICULTURAL DEVELOPMENT, AND

(3) NOTE THAT FUTURE DEVELOPMENT OF AGRICULTURAL
DEVELOPMENT FUND MAY SUPERCEED THIRD WINDOW OR
OFFER FRAMEWORK IN WHICH THIRD WINDOW FUNCTIONS CAN BE
PERFORMED MORE EFFECTIVELY. INGERSOLL

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